

**REPORT OF THE AUDIT OF THE  
FORMER HICKMAN COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2006**

## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FORMER HICKMAN COUNTY SHERIFF**

**For The Year Ended  
December 31, 2006**

Romaine & Associates, PLLC has completed the former Hickman County Sheriff's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$7,191 from the prior year, resulting in excess fees of \$6,930 as of December 31, 2006. Additional excess fees of \$5,590 are due as of the audit date. Revenues decreased by \$31,876 from the prior year and expenditures decreased by \$24,685.

#### **Report Comments:**

- The Former Sheriff Should Have Had A Written Personnel Policy
- The Former Sheriff Should Have Deposited Receipts On A Daily Basis
- The Former Sheriff's Office Lacked Adequate Segregation of Duties

#### **Deposits:**

The former Sheriff's deposits were insured and collateralized by bank securities.

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Krista Romaine, CPA, Member  
Charlotte Clark, Member

William Erwin, CPA  
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CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Greg Pruitt, Hickman County Judge/Executive  
Honorable J.W. Moran, Former Hickman County Sheriff  
Honorable John David Turner, Hickman County Sheriff  
Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former Sheriff of Hickman County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the former Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former Sheriff for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2008 on our consideration of the former Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Honorable Greg Pruitt, Hickman County Judge/Executive  
Honorable J.W. Moran, Former Hickman County Sheriff  
Honorable John David Turner, Hickman County Sheriff  
Members of the Hickman County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Former Sheriff Should Have Had A Written Personnel Policy
- The Former Sheriff Should Have Deposited Receipts On A Daily Basis
- The Former Sheriff's Office Lacked Adequate Segregation of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Hickman County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

*Romaine & Associates, PLLC*

Romaine & Associates, PLLC  
Certified Public Accountants

June 19, 2008

HICKMAN COUNTY  
J.W. MORAN, FORMER SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

State Fees For Services:

Finance and Administration Cabinet	\$ 51,465		
Sheriff Security Service	3,002		\$ 54,467

State - Kentucky Law Enforcement Foundation Program Fund	6,938
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Circuit Court Clerk:

Fines and Fees Collected	1,479
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Fiscal Court

Quarterly Contribution	\$ 15,000		
Sheriff's Office Salaries	13,256		
Court Security Contributions	6,115		34,371

County Clerk - Delinquent Taxes	340
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Commission On Taxes Collected	54,247
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Fees Collected For Services:

Auto Inspections	\$ 2,310		
Accident and Police Reports	78		
Serving Papers	4,310		
Carrying Concealed Deadly Weapon Permits	1,170		7,868

Other:

Transporting	\$ 500		
Sheriff's Fees	9,968		
Miscellaneous	1,422		11,890

Interest Earned	83
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Borrowed Money:

State Advancement	30,000
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Total Revenues	\$ 201,683
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The accompanying notes are an integral part of this financial statement.

HICKMAN COUNTY  
 J.W. MORAN, FORMER SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2006  
 (Continued)

Expenditures

Operating Expenditures:

Personnel Services-	
Deputies' Salaries	\$ 28,952
Court Security	41,499
Employee Benefits-	
Employer's Share Social Security	3,735
Contracted Services-	
Advertising	1,050
Materials and Supplies-	
Office Materials and Supplies	679
Phone	3,746
Uniforms	439
Auto Expense-	
Mileage	13,277
Other Charges-	
Dues	300
Postage	1,418
Radio Expense	320
Carrying Concealed Deadly Weapon Permits	1,030
Jury Meals	139
Miscellaneous	3,781

Debt Service:

State Advancement	<u>30,000</u>
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Total Expenditures	<u>\$ 130,365</u>
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Net Revenues	\$ 71,318
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Less: Statutory Maximum	<u>64,388</u>
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Excess Fees Due County for 2006	\$ 6,930
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Payments to Fiscal Court - January 11, 2007	<u>\$ 1,340</u>
	<u>\$ 1,340</u>

Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 5,590</u></u>
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HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).



HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2006  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the former Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The former Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Account

During 2006, under the terms stipulated by the United States Department of Justice and the Commonwealth of Kentucky, the former Sheriff's office received proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used for law enforcement activities. As of January 1, 2006, this account had a balance of \$8,164. During 2006, funds of \$ 834 were received leaving a balance of \$ 8,998 as of December 31, 2006. In January 2007, the account was transferred to John Turner, the current Sheriff.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Greg Pruitt, Hickman County Judge/Executive  
Honorable J.W. Moran, Former Hickman County Sheriff  
Honorable John David Turner, Hickman County Sheriff  
Members of the Hickman County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Hickman County Sheriff for the year ended December 31, 2006, and have issued our report thereon dated June 19, 2008. The former Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Hickman County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Hickman County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the former Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Former Sheriff's Office Lacked Adequate Segregation of Duties
- The Former Sheriff Should Have Deposited Receipts On A Daily Basis

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Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Hickman County Sheriff's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Former Sheriff Should Have Had A Written Personnel Policy

This report is intended solely for the information and use of management, the Hickman County Fiscal Court, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Krista Romaine, CPA  
Romaine & Associates, PLLC

June 19, 2008

## COMMENTS AND RECOMMENDATIONS

HICKMAN COUNTY  
J.W. MORAN, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2006

STATE LAWS AND REGULATIONS:

The Former Sheriff Should Have Had A Written Personnel Policy

In December 2006, the former Sheriff paid employees an additional \$2,800 for excellent job performance. The former Sheriff should have had a written personnel policy addressing these payments. Documentation should have been maintained in the employee's personnel file justifying the payments for excellent job performance and the income should have been reflected on the employee's W-2 form.

*Former Sheriff's Response: None*

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

The Former Sheriff's Office Lacked Adequate Segregation Of Duties

During our review of internal controls, we noted the following control deficiency pursuant to professional auditing standards:

- The former Sheriff's Bookkeeper collected money, prepared deposits, prepared daily checkout sheets, prepared reports, and prepared checks.

No compensating controls were noted to offset this control deficiency. Therefore, the control deficiency described above is considered a significant deficiency and a material weakness. The former Sheriff should have implemented the compensating controls noted below to offset this internal control weakness:

- The former Sheriff should have periodically opened his cash receipts by mail, prepared the individual receipt tickets, and agreed them with the daily checkout sheet. Then he should have compared the daily bank deposit to the daily checkout sheet and to the receipts ledger for that day. Any differences should have been reconciled. The former Sheriff should have documented this by initialing and dating the mail receipts, the bank deposit, the daily checkout sheet, and the receipts ledger for the day's business.
- The former Sheriff should have periodically performed a surprise cash count on his collections for the day. Any material or unusual differences should have been resolved. The former Sheriff should have documented this by initialing and dating the daily checkout sheet and the deposit slip.
- The former Sheriff should have periodically, and on a surprise basis, agreed amounts on invoices with payment amounts on checks. Any differences found should have been resolved. The former Sheriff should have documented this comparison by initialing and dating the invoice.

HICKMAN COUNTY  
J.W. MORAN, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2006  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES  
(Continued):

The former Sheriff's Office Lacked Adequate Segregation Of Duties (Continued)

- The former Sheriff should have compared the salaries listed on the quarterly financial report to the individual earnings records for accuracy. Any differences found should have been resolved. The former Sheriff should have documented this comparison by initialing and dating the quarterly financial report and the individual earnings records.
- The former Sheriff should have periodically, and on a surprise basis, compared the bank reconciliation to the balance in the checkbook. Any differences should have been reconciled. The former Sheriff should have documented this by initialing and dating the bank reconciliation and the balance in the checkbook.
- The former Sheriff should have for each quarter compared his quarterly financial report to his receipts and disbursements ledgers for accuracy. Any differences should have been reconciled. The former Sheriff should have documented his comparison by initialing and dating the quarterly financial report and his ledgers.

*Former Sheriff's Response: None.*

The Former Sheriff Should Have Deposited Receipts On A Daily Basis

KRS 68.210 gives the State Local Finance Officer the authority to establish minimum accounting requirements, which includes depositing receipts intact on a daily basis into a federally insured banking institution. Also, Technical Audit Bulletin 93-002 states, "a county official is in violation of KRS 64.850, Commingling of Public Funds, if more than \$200 of public funds are accumulated and/or retained and not deposited into an official bank account intact on a daily basis." The former Sheriff did not make deposits of more than \$200 in a timely manner; deposits were made on a weekly basis. We recommend that funds should have been deposited on a daily basis in order to have complied with state regulations.

*Former Sheriff's Response: None.*